Strategy Research Project

REVIEW AND ANALYSIS OF UNITED STATES POLICY: U.S. MILITARY USE OF COMMERCIAL SEALIFT

BY

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ABSTRACT

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This paper examines the history of Executive and Congressional legislative mandates governing United States military use of U.S. commercial sealift in times of peace and during times of national emergencies or war. It reviews the Department of Transportation, Maritime Administration's role in managing the National Defense Reserve and the Ready Reserve Fleets, the Military Sealift Command's Operational Control of government owned or chartered sealift, and the Maritime Security Program and the Voluntary Intermodal Sealift Agreement. It looks at the Department of Defense (DoD) and U.S. Transportation Command policies governing the use of sealift, and the Government Accounting Office research to support those policies. It reviews several legal challenges to the laws and policies by the Comptroller General of the United States and the DoD Inspector General. It also discusses three current, sealift situations where policy causes conflict and suggests an alternative concept for military sealift in the future.

REVIEW AND ANALYSIS OF UNITED STATES POLICY: U.S. MILITARY USE OF COMMERCIAL SEALIFT

The movement of U.S. military equipment and material via the sea during times of peace and conflict is, for the most part, a story of phenomenal success. U.S. military history is replete with examples of successfully moving mountains of military cargo across the Atlantic and Pacific Oceans to far away lands. Why has the U.S. been so successful at moving vast amounts of Department of Defense (DoD) material from primarily continental bases, depots, and factories to distant destinations in relatively short periods of time? The answers lie in the U.S. strategy for building, maintaining, and accessing strategic merchant maritime shipping capability when DoD requires it.

Historical Review

In 1776 in his *An Inquiry in to the Nature and Causes of the Wealth of Nations* Adam Smith penned:

> Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour...[1]

Adam Smith realized then, as did the fledgling U.S. Government, that merchant maritime shipping would play an important role in the development and protection of the U.S.. Both the Executive and Legislative Branches recognized the need to build and preserve an American merchant maritime shipping capability.[2] In 1817, Congress enacted the Navigation Acts, which barred foreign vessels from participating in U.S. domestic commerce.[3] Nations practiced the exclusive domestic right to transport passengers and goods between ports within its own territory to protect national shipping interests.[4] By enacting U.S. maritime commerce legislation, Congress helped create

and maintain a viable U.S. merchant maritime or “Merchant Marine” fleet consisting of the nation’s civilian-owned merchant ships. Either the U.S. Government or the U.S. private commercial sector can operate this fleet as it carries cargo through the navigable waters of the U.S.. It operates during peace and serves as an auxiliary to the Navy to carry military troops and supplies during times of war.[5]

To understand how the U.S. built the current U.S. Merchant Marine capability and its effect on our ability to conduct global military operations, it is critical to examine how both the Executive and Congressional Branches exercised their authority to protect and maintain the U.S. Merchant Marine during the Twentieth Century. Through a series of Cargo Preference Laws, Congress directed the Government to use only U.S. Merchant Marine companies when shipping specific goods and material. The Cargo Preference Act of 1904 directed the defense establishment to exclusively use U.S. flagged commercial vessels when shipping government items.[6]

In section 27 of the Merchant Marine Act of 1920, commonly referred to as the Jones Act, Congress reserved the right for U.S. flagged vessels to carry all marine transportation of freight and passengers within the U.S. It further stated these vessels must be owned by U.S. citizens, be built by U.S. ship building companies, be registered in the U.S. and be manned with a crew consisting of all U.S. officers and a seventy-five percent U.S. crew. These vessels became known as the “Jones Act Fleet.”[7] Congress reinforced the earlier restrictions by excluding foreign built U.S. flagged vessels from engaging in domestic U.S. trade.

The Merchant Marine Act of 1936 maintained the requirements of the Jones Act and further added the requirements of the fleet to serve as a naval and military auxiliary in time of war or national emergency.[8]

By the end of the Second World War, the U.S. Merchant Marine capability was the largest in the world peaking at 2,277 ships in 1950. The Merchant Ship Sales Act of 1946 created the National Defense Reserve Fleet (NDRF) using excess government ships built to support the Second World War.[9] This fleet became the backbone of future U.S. power projection capability and was heavily relied upon early during the Korean War.

In 1950, Congress enacted the Defense Production Act (DPA). This act authorized the defense planning for mobilization and emergency preparedness of merchant shipping, which included establishing voluntary agreements.[10] Voluntary agreements, dictating shipping rates and conditions for execution between the DoD and the Merchant Marine, would allow for quicker provision of commercial ships during times of emergencies or conflict.

In the 1960's, Secretary of Defense, Robert McNamara, proposed a concept of pre-positioning military hardware on forward deployed ships where the U.S. did not maintain a military presence. Congress disagreed with his idea because they feared a forward positioning of equipment would more easily lead to the use of that equipment. The Carter Administration reviewed the concept and in July of 1978, Presidential Directive 18 instructed the Pentagon to increase its sealift capability. As a direct result, in August 1979, DoD announced a plan to pre-position military equipment aboard forward deployed ships. It provided for thirteen Maritime Pre-Position Ships (MPS) to

serve as the sealift capability for three USMC Amphibious Brigades. The first seven ships deployed to the Indian Ocean in March of 1980. During that year, DoD moored six more vessels in a reduced operating status at locations close to expected deployment areas. These six vessels, the fastest at the time, would become known as Fast Sealift Ships (FSS). Additionally, a number of vessels in the NDRF were placed on a higher state of readiness to rapidly deploy. These vessels became known at the Ready Reserve Force (RRF).[11]

In 1989, President Bush approved National Security Directive 28 also known as the National Security Directive on Sealift. The document states "sealift is essential both to executing this country's forward defense strategy and to maintaining a wartime economy." It further states, "The United States' national sealift objective is to ensure that sufficient military and civil maritime resources will be available to meet defense deployment, and essential economic requirements in support of our national security strategy." It directs DoD to use U.S. commercial shipping to the maximum extent possible during times of crisis and peace. It also restricts the RRF to an augmentation role to support Chairman of the Joint Chiefs of Staff (CJCS) validated exercises or in times when the commercial sector cannot meet the lift requirements. DoD is required to determine sealift requirements for deployments, supplies and sustainment, plus shipbuilding and ship repair. The Department of Transportation (DoT) is required to determine if there is enough capacity within the commercial sector to meet DoD sealift requirements. U.S. agencies will ensure that all international agreements and federal policies concerning foreign flag sealift carriers protect our national security interests and do not place our industry at a disadvantage.[12]

In October of 1996, President Clinton signed into law the Maritime Security Act (MSA). The Maritime Security Program (MSP) was a portion of the Act developed to provide economic incentives to select U.S. Merchant Marine companies and vessels in order to ensure that an adequate U.S. fleet existed to provide for military transport capability during times of a national emergency or war.[13]

Congress continued to guide the U.S. Maritime Transportation System (MTS) by amending the Shipping Act of 1984 with the Ocean Shipping Reform Act (OSRA) of 1998.[14] The Shipping Act of 1984 began the deregulation process by allowing shippers greater flexibility when entering into contractual arrangements for ocean transportation and intermodal services. OSRA essentially allowed for a free market in the ocean transport of cargo.[15]

The previously described congressionally mandated cargo preference laws served to create and maintain an efficient U.S. commercial MTS and developed a viable fleet to help meet national security needs while maintaining a strong position in the international market place. These laws stimulated large investments both in commercial shipping and infrastructure by private business. They saved the taxpayer money by not investing in military-only shipping.

Current Policies

The U.S. is the world's largest trading nation and accounts for nearly twenty-five percent of the world's ocean-borne trade[16] but the U.S. Merchant Marine handles only three to four percent of the U.S. foreign water-borne trade.[17] In 2005, total U.S. waterborne commerce amounted to over two billion metric tons of which 59 percent were from international shipping.[18] The cargo preference laws generated over 10

million revenue tons of cargo and $1.3 billion of ocean freight revenue in fiscal year 2006. It is projected that by the year 2050, capacity is expected to grow seven to ten-fold.[19]

Despite efficiencies gained by advances in technology, increased vessel sizes and improved management operations, U.S. flagged vessel operators continue to face stiff competition from foreign operators and this is expected to continue into the foreseeable future. As a result, Congress will need to maintain an active role in the maintenance and preservation of the U.S. Merchant Marine fleet.

In order to ensure compliance with the legislative mandates and executive directives pertaining to sealift, DoD provides its own policy direction. It is DoD's position that the sealift portion of the Defense Transportation System (DTS), a subset of the MTS, which is a subset of the National Transportation System (NTS), is capable of providing lift to meet DoD requirements across the spectrum of military operations. As directives dictate, DoD shippers must use DTS commercial lift assets unless there is a documented critical mission impact.[20] The Directive does note that services provided within the DTS should be streamlined, flexible, cost effective, and responsive to the customer. However, policy interpretation has proven that meeting the critical impact standard extremely difficult.

The policy directs all shipment requirements to be transported on U.S. owned vessels except when terms of a treaty, lack of shipping routes or when rates are excessive. The President is the approval authority for DoD use of foreign flagged vessels. He delegated that authority to the Secretary of Defense who in turn delegated the approval authority to the Secretary of the Navy. In matters pertaining to the

cabotage law (Merchant Marine Act of 1920), the Secretary of the Navy delegated approval authority to the commander of the Military Sealift Command (MSC). The Directive also delegates the Commander, United States Transportation Command (USTRANSCOM) as the single manager for common user transportation and as the Distribution Process Owner (DPO). As such he has the responsibility for acquiring common-user transportation and related services to meet DoD requirements and worldwide strategic mobility planning.[21]

The Department of Transportation Maritime Administration's (MARAD) primary function is to strengthen the MTS to meet the economic and security needs of the nation. This includes infrastructure, industry, and labor.[22] Because the MTS is essential to the military and economic security of the nation, MARAD uses economic incentives to encourage private U.S. company operation of vessels under U.S. registry. Providing a routine customer base, i.e. U.S. Government Departments and Agencies, special agreements and under certain circumstances, financial compensation for possible future military use help keep the U.S. Merchant Marine viable. The congressionally mandated cargo preference laws are the primary means to support the MTS.

MSP and the Voluntary Intermodal Sealift Agreement (VISA) are joint efforts between DoD, DoT and the U.S. Commercial shipping companies. These two programs are primarily focused on DoD sustainment sealift during times of conflict and serves to supplement DoD's organic shipping capability.

MARAD provides direct economic incentives for U.S. shipping companies through the MSP. Companies enrolled in MSP guarantee to provide vessels and

associated port infrastructure and management services to the U.S. Government, when requested, during contingencies. There are currently 60 vessels participating in MSP. On average companies receive $2.6 million per vessel per year during fiscal years 2006 through 2008 and the subsidy increases through the out years.[23] All MSP companies belong to the VISA program.[24]

In the mid 1990's, in order to pool essential shipping resources during times of emergencies, the U.S. Government and the U.S. shipping industry agreed to establish VISA. Under the terms of the agreement, participants commit specific vessel capacity, intermodal equipment and management services to the DoD in exchange for priority consideration for the award of DoD peacetime defense cargo movement contracts. This arrangement provides assured access to commercial shipping at pre-agreed rates during a national emergency. DoD then uses VISA to pre-plan military use of commercial vessels in times of emergency or war.[25] Currently, 118 vessels, nearly all of the U.S. flagged oceangoing cargo fleet, belong to VISA.

In fiscal year 2006, VISA supported more than 5,500 merchant mariner jobs and the associated maritime transportation related jobs ashore. The cargo preference laws generated over 10 million revenue tons of cargo and $1.3 billion of ocean freight revenue. These cargoes represent anywhere from seven to fifty percent of a carrier's annual revenues and are vital to retaining vessels operating under the U.S. flag.[26] In these economically competitive times, without VISA, the U.S. shipping fleet would undoubtedly diminish. A reduction in the fleet would reduce the number of skilled mariners, jobs would go away and there would not be a civil reserve fleet to tap into during contingencies. Reducing the U.S. shipping fleet would impact national security.

DoD's organic fleet resides in the NDRF. These are vessels that are militarily useful but too expensive to keep active. MARAD is responsible for maintaining the fleet at reduced operating levels or selling, donating, sinking, or cutting them into scrap metal. At its peak in 1950, the NDRF consisted of 2,277 vessels. In early 2007, the NDRF had 231 vessels. The number fluctuates as newer ships arrive and older ships depart.[27]

MARAD keeps 44 of these in a graduated reduced operational capacity and they serve as the RRF. MARAD owns and operates these vessels but commercial ship companies manage them.[28] RRF vessels are activated to provide support for a variety of missions. Once activated, these ships fall under the operational control of the MSC. Due to the inability of commercial ocean carriers to provide needed sealift capability for Operation Iraqi Freedom (OIF), MARAD activated five RRF vessels in 2006.[29]

Transitioning from peace to war requires a steady progression of sealift ships and maritime personnel to meet contingency requirements. Airlift cannot carry the volume of required military equipment and pre-positioning equipment aboard vessels saves valuable time and money. MSC is the sea transportation component of USTRANSCOM responsible for managing pre-positioned sealift and transportation of DoD cargo using DoD Organic ships or chartered, commercial vessels. Pre-positioned ships are loaded with combat equipment for U.S. Army, Marine Corps, Air Force, and Navy, as well as fuel for the Defense Logistics Agency (DLA). These vessels are stationed in strategic areas around the world close to potential contingency areas. Pre-positioned ships remain at sea, ready to deploy on short-notice to initially support our military forces in the event of a crisis. The pre-positioning program includes long-term

chartered commercial vessels, activated RRF ships and U.S. Government owned ships. The Pre-positioning Program is divided into three elements: the Army Pre-positioned Stocks (10 vessels), the Maritime Pre-positioning Force) (16 vessels); and the Navy, DLA and Air Force fuel and ammunition ships (6 vessels). The sealift force can expand dramatically to move additional warfighting supplies when required for deployment purposes. In accordance with statutory and regulatory requirements, MSC must first look to the commercial market to charter suitable U.S. flagged vessels. If additional vessels are required beyond U.S. flagged vessel capacity, foreign flagged ships may be used. To meet the demand, MSC may also activate U.S. Government owned surge sealift ships, normally kept in reduced operating status or request activation of RRF vessels. In the event of a full mobilization, MARAD can initiate VISA and MSP and activate the NDRF ships to quickly deliver more than 1,000 ships and 30,000 people to support DoD deployment operations. As a last resort, the president, in accordance with section 902 of the Merchant Marine Act of 1936, can requisition any U.S. vessel under U.S. or Effective U.S. Control (EUSC).[30]

The President and Congress spend a significant amount of time on establishing and preserving the U.S. commercial shipping industry through the Cargo Preference Laws. To determine how effective they have been, Congress periodically asks the Government Accounting Office (GAO) to report on the Cargo Preference Laws and their impact on the U.S. commercial shipping industry. In November 1994, the GAO provided the most recent report on estimated costs and effects. Although, most of the information is outdated and the GAO provided no recommendations, the historical information, statistical data, and associated trends highlight the precarious nature of

subsidizing a major industry in a rapidly changing period of globalization. The report first clarifies the definition of preference cargo to reflect specific cargo shipped on U.S. flagged vessels between a U.S. and foreign port.[31] The report reflected that there was 371 U.S. flagged merchant vessels of 1,000 gross tons or greater.

During the five-year period analyzed by the GAO, DoD shipped approximately 50 percent of the total preference cargo, more than any other federal agency. Most of the cargo included spare parts, food, ammunition, commissary items, and privately owned vehicles and did not include any deployment/redeployment cargo. The report found that not shipping the same cargo on non U.S. flagged vessels cost DoD an average of $350 million per year more for the 5-year period.[32] Other U.S. Government agencies shipping preference cargo on U.S. flagged vessels during the same 5-year period averaged $225 million per year more. Clearly, shipping preference cargo, in accordance with the laws, using U.S. flagged vessels came at a significant cost to the U.S. Government, about $575 million per year in 1994.

Although, U.S. flagged vessels carry between three and four percent of all international cargo, the Cargo Preference Laws have had little effect on maintaining the amount of overall U.S. cargo carried on U.S. flagged vessels to foreign ports.[33] This is because most cargo shipped to international destinations is owned by commercial companies and is not subject to cargo preference laws. Short-term profits lead commercial companies to seek the least cost shippers, which usually means using foreign flagged carriers due to lower operating costs.

Higher operating costs for U.S. flagged vessels are directly attributable to higher costs for the crews and safety requirements; higher wages and benefits, higher

manning levels, and higher maintenance safety standards. Other increased costs include higher operating costs for steam powered vessels and maintaining older vessels. Half of the 165 U.S. flagged vessels engaged in international trade are near their life expectancy.[34] An additional factor deals with costs associated with U.S. shipyard repairs or if U.S. flagged vessels are not built in U.S. shipyards, the Tariff Act of 1930 imposes a 50 percent tariff on maintenance and non-emergency repairs performed on U.S. flagged vessels in foreign ports. The bottom line is that all of these costs are passed on to the consumer, in this case U.S. Government agencies.

The percentage of preference cargo shipped on board U.S. flagged vessels is about 33 percent and remains a significant contributor to the U.S. flagged fleet.[35] GAO estimates that without the Cargo Preference Laws, 61 to 68 percent by tonnage of the 165 U.S. flagged vessels conducting international commerce would leave the U.S. fleet.[36] The departure of those vessels would result in an estimated 6,000 mariners losing their jobs or about 71 percent of the shipboard jobs associated with U.S. flagged vessel conducting international shipping.[37]

In December of 1968, when asked to review the legal challenge brought against the DoD sealift policy, the GAO, using the 1904 Cargo Preference Act, recommended continuing support of the law. The challenge concerned the use of Great Lakes ports and foreign vessels for shipment overseas of military troop support cargo to save time, money, or distance. In the recommendation, the GAO stated that provided American flagged vessels were available, the 1904 Preference Act indicates that cost considerations and time related concerns could not be used to avoid the statutory requirement. It further stated that under normal circumstances, the time factor is not as

important in the case of cargo transportation. In the event that no U.S. vessels are available or if the President of the United States deems rates are excessive, the law allows for exceptions.[38]

In 2007, The DoD Inspector General considered allegations that USTRANSCOM used a commercial vessel rather than a more cost-effective Government vessel to transport military equipment to Fort Irwin, California. The allegation stipulated that USTRANSCOM spent $6 million more than necessary. The IG initially ruled that the allegation was unsubstantiated because USTRANSCOM followed DoD sealift policy. The ruling was later modified with a recommendation that USTRANSCOM conduct a more thorough analysis of cost associated with moving previously activated Government-chartered vessels operating in other parts of the world before considering commercial sealift options.[39] Daily operating costs for chartered vessels while underway are relatively constant. Depending on the length of the voyage required to pick up the cargo, it may be less expensive to use chartered vessels when moving deployment cargo as compared to a commercial option. However, the length of time the cargo can wait before deployment may be a limiting factor. Chartered vessels rarely sit idle but are usually loaded with cargo and enroute to a delivery destination. They are also scheduled to pick up and deliver cargo well in advance to ensure that their capacity is utilized to its fullest. Altering a chartered vessel's schedule, once cargo is booked for a future pick up date, has a secondary time delay impact on all other scheduled cargo. The delay has cost implications for the U.S. This requirement is incorporated into the USTRANSCOM Surface Business Model.

During times of peace, DoD and other Government agencies are required, by law, to use U.S. commercial assets to ship cargo both within the U.S. and to foreign ports unless there are U.S. chartered vessels available. During times of emergency or war, U.S. military equipment and supplies stored aboard pre-positioned, Government owned or commercial chartered vessels provide the initial, quick response. Ships to handle deploying follow-on forces' equipment must come either from additional U.S. Government owned or commercial chartered vessels. If additional sealift is required for the deployment, commercial sealift companies may volunteer their sealift capacity, or MARAD can activate any combination of MSP or VISA vessels. Only U.S. commercial sealift assets are used for sustainment operations. (See Chart- USTRANSCOM Surface Business Model)[40]

The USTRANSCOM current Surface Business Model highlights the process for acquiring sealift for both deployment and sustainment operations. It reflects current laws and policies applicable towards military use of sealift. The Surface Deployment and Distribution Command (SDDC), the Army component of USTRANSCOM, is responsible for scheduling all DTS commercial, non-chartered sealift. MSC, as the Naval Component of USTRANSCOM, is responsible for scheduling all government owned and commercial chartered sealift. Although modified over the course of years, this business process adds layers of decisions and time to a process driven by long lead times, and planning and scheduling challenges. It is not as adaptive as it could be to meet current deployment/redeployment and sustainment challenges in this time of persistent conflict.

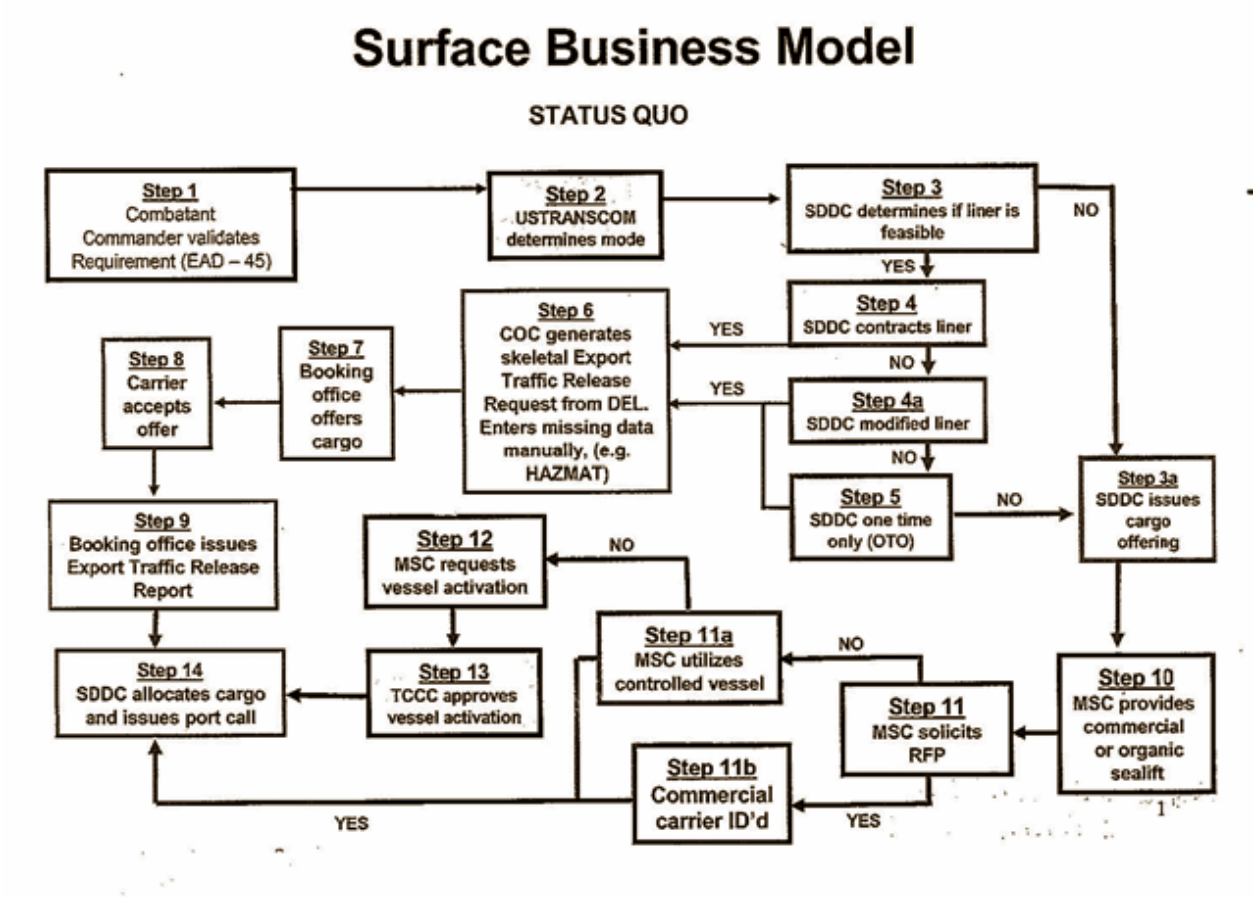

Figure 1:

EAD – Earliest Arrival Date

SDDC – Surface Deployment and Distribution Command

COC – Combat Operations Center

DEL – Deployable Equipment List

RFP – Request For Proposal

TCCC – Transportation Component Command

Policy Weaknesses

Deploying equipment by sea is something the U.S. does very well despite the current convoluted process. The rules governing the use of sealift assets are well established, well documented, and very well practiced. There are, however, three situations where the current system does not work as well as intended.

The first situation deals with redeployment. The Joint definition of redeployment is "the transfer of forces and material to support another joint force commander's operational requirements, or to return personnel, equipment, and material to the home and/or demobilization stations for reintegration and/or out-processing."[41] In the past, the redeployment of unit equipment meant an "administrative move" i.e. not required to move as quickly as deploying equipment unless it was to meet a commander's operational requirement. In practice, redeploying equipment made its way home via a number of sealift combinations depending on what transportation was available and what other equipment had higher priority for movement. Because DoD policies do not treat redeployment in the same manner as deployment, redeploying equipment is booked on U.S. commercial liner service unless there are activated U.S. Government owned or commercial chartered vessels available. Liner vessel service usually does not allow for a single vessel to carry all of the unit's equipment, incorporates multiple stops along a routine route and may require discharge and then upload aboard a different vessel to complete the journey. Liner vessel service, except on rare occasion, takes longer than using U.S. Government owned or commercial chartered vessels. Typically, unit personnel would return home, depart on leave, return from leave and wait for their equipment to arrive, which might come in one shipment or by several separate shipments. Redeploying equipment has traditionally been treated without any sense of urgency. The cost associated with units waiting for redeploying equipment has always been assumed to be minimal.

Now, however, quickly redeploying equipment back to units or to refit assembly lines has a very high priority. Today's deployment cycle for units requires them to be

prepared to deploy within a year after redeployment. Therefore, every minute that a unit does not have its equipment means that personnel are unable to train with that equipment in preparation for the next deployment. Redeploying unit equipment needs to be planned and executed with the same sense of urgency as deploying unit equipment or readiness is affected. This does not mean all unit equipment needs to be airlifted home, the cost would be prohibitive and there are not enough airlift assets to accomplish these redeployment lifts. However, redeployment requirements have changed and the transportation policy needs to reflect this change.

The second situation deals with the deployment and redeployment of unit equipment from Afghanistan. For Operation Enduring Freedom, deploying and redeploying unit equipment requires transiting along roads through Pakistan to and from the ports in Karachi. Currently, the Pakistan Government does not allow U.S. Government owned vessels to call on Pakistan ports, however, U.S. flagged commercial carriers are allowed to call on these ports. Therefore, U.S. commercial carriers are currently responsible for deploying and redeploying equipment from Afghanistan. Recently changed commercial liner service on American Presidential Line from Pakistan via India and Egypt takes 27 days to Charleston, South Carolina.[42] In March 2008, Maersk Shipping Lines amended its shipping routes to add a faster service to and from the Middle East.[43] Maersk Line takes 25 days from Pakistan via India and Oman to Charleston, South Carolina.[44] Both commercial shipping companies still have multiple stops along their routes. Previous routes transited through Singapore, Malaysia to the West Coast of the U.S. requiring multiple stops and transshipment points along the way, plus longer U.S. in-land transportation requirements to the final

destination. This route took considerably longer to get the equipment home. Although U.S. Government owned vessels would be cheaper and quicker, they are not authorized to call on Pakistan's ports. This is a situation that we may find ourselves dealing with when contending with other nations in the future.

The third situation deals with moving unit equipment during peacetime, which requires approaching the commercial industry first. When outsized equipment or special equipment such as helicopters requires sealift, because of special loading requirements and restrictions, it usually requires the use of U.S. Government owned or chartered vessels. The U.S. commercial sealift industry does not have sufficient space to move this type and amount of equipment because of their liner service obligations. However, DoD policy requires USTRANSCOM approach the U.S. commercial industry for this service anyway. When the commercial sealift industry refuses the bid due to an inability to meet the required delivery dates or lack of space, USTRANSCOM must then write a one-time-only waiver request to DoD for approval to use U.S. Government owned or chartered sealift.

Activated U.S. Government owned or chartered ships do not remain idle or wait very long for cargo. Because they are a scare commodity and used to meet a wide range of DoD requirements, they operate virtually continuously throughout the world's oceans. Sealift using these vessels must be scheduled as far in advance as possible to ensure complete utilization of the sealift capacity and provide ample time for schedule de-confliction. Short of waiving the current DoD policy concerning this specific type of equipment, a buffer of time must be built into the current business process to ensure

adequate time to schedule the efficient use of U.S. Government owned or chartered vessels. This is not an efficient or effective sealift policy.

As discussed, DoD currently relies on two sources to meet its sealift lift requirements. The first are U.S. Government owned sources, including vessels under long-term charter. Government owned vessels include LMSR's, FSS's and the RRF or long-termed leased vessels used by the Pre-positioning Program. The second source is through the commercial maritime industry with contracting on the open market, and includes DoD sealift augmentation programs Such as VISA and MSP. Foreign flagged vessels may be utilized if there are formal bilateral or alliance agreements in place or through charter on the open market.[45]

Sealift support to DoD occurs in three phases. During the first or Pre-positioning phase, equipment and material is stowed aboard U.S. Government owned or commercial long-term lease vessels at predetermined locations around the world, which decreases the response time to an area of conflict. During the second or surge phase, U.S. Government owned vessels not dedicated to pre-position, provide lift capability for follow on equipment. Once pre-position vessels discharge their loads, they also provide lift during the surge phase. The third and final or sustainment phase is solely supported by the commercial maritime industry.

Strategic mobility will remain a key tenet of U.S. military strategy. Future reviews such as a Mobility Requirements Review or a Quadrennial Review will probably highlight that future policy for military sealift needs to focus on: access to smaller ports, such as those in Africa; restricted DoD vessel access to foreign ports, i.e. Pakistan; the need for increased lift speed, quicker reaction time and U.S. shipping efficiencies. If

fuel prices and maintenance costs continue to rise for an aging U.S. Government owned fleet, governmental subsidies for acquisition of newer vessels may be required. These requirements coupled with the U.S. Government mandate to maintain a vibrant U.S. commercial maritime industry require innovative thinking and perhaps a change in our overall sealift concept.

Recommendation

One possible military sealift alternative could be centered on a concept that focuses entirely on a commercial approach for all three phases of military sealift requirements. This concept could require selling or leasing all current U.S. Government owned capability to U.S. commercial maritime companies with a very clearly defined agreement that such assets plus additional assets from the company could be made available, whenever required. All pre-positioning vessels could be on long-term leases. All surge vessels could be on short-term leases with quick transfer times from the commercial sector to military availability. Sustainment requirements would remain in the commercial sector. During peacetime, VISA should remain in place but the MSP could be stopped completely and a certain number of vessels could be on short-term lease to DoD in order to handle sealift requirements for CJCS sponsored exercises.

Potential positive attributes of this alternative would include:

- DoD could receive income back from the sale or lease of vessels.
- The U.S. commercial sealift industry could receive an additional fleet of LMSR's and FSS's plus any vessels from the RRF that could be adapted to a commercial enterprise.

- Vessels added to the commercial fleets could be used on a more continuous, cost effective basis.
- RRF vessels not used by the commercial industry could be scrapped and the reserve fleet abolished saving maintenance dollars.
- In place of MSP with its associated costs, DoD could be a paying partner with the commercial maritime industry to enhance and improve overall sealift capability. DoD would pay a portion of the maintenance costs for vessels leased to commercial companies, making these companies more competitive. DoD could partner with commercial companies for the purchase of new vessels.
- Overall maintenance and administration of the fleet could be done more efficiently by a competitive commercial entity vice a government entity.

For the Pre-position and Sustainment phases, there should be little to no impact of this alternative approach. Some operational risk is assumed, as it is not well known if the commercial industry could meet DoD timelines for deployment during the surge phase. To test the feasibility and associated risk of the concept, DoD should provide a few vessels on short-term leases to the commercial industry and then conduct a number of “no-notice” DoD activations.

Clearly, a change of this magnitude would require a lot of discussion and buy-in from a number of different entities to include the President and Congress as well as the commercial maritime industry. Although there are no guarantees of success, what is certain is that most of the Government owned sealift fleet is beyond its life expectancy

and will need re-capitalization immediately. DoD sealift requirements will undoubtedly continue during this time of persistent conflict, however; current policies are impacting military readiness and clearly the status quo is unacceptable.

Conclusion

History shows that our military successes around the globe have hinged on our ability to project military forces rapidly and in sufficient volume to ensure overwhelming force, when required. Sealift is the only viable mode that can meet military deployment high volume requirements. One LMSR carries the equivalent of up to 300 C-17 flights.[46] Both the Executive and Congressional Branches of our government view the U.S. commercial maritime industry as critical to the strategic health and defense of our great nation. It is evident that in order to remain viable and competitive in the global market, the U.S. maritime industry must be protected. To this end, Congress continues to enact "Cargo Preference" laws. There are strong arguments that suggest subsidizing an industry and preventing it from interacting with market economy forces hurt the industry in the long run. In the case of the U.S. maritime industry, the over riding principle of national security dictates its support. U.S. military response cannot be left subservient to commercial enterprises. However, commercial companies are clearly more efficient at operating sealift vessels than the U.S. Government. By enacting the recommended sealift alternative, DoD can eliminate its aging sealift fleet and help support the U.S. maritime industry. This new way of conducting DoD sealift will meet both U.S. national transportation and defense goals. Placing our nation's security at risk by perhaps relying on global foreign flagged vessels to quickly deliver U.S. military equipment and material to areas of conflict is not an acceptable alternative.

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